



UNITED STATES ATTORNEY'S OFFICE

Southern District of New York

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MANHATTAN U.S. ATTORNEY ANNOUNCES CHARGES AGAINST 36 INDIVIDUALS FOR PARTICIPATING IN \$279 MILLION HEALTH CARE FRAUD SCHEME

*Largest No-Fault Automobile Insurance Fraud Case Charged-to-Date Includes Ten Doctors and
Three Lawyers*

Charges Also Include Racketeering and Money Laundering

Preet Bharara, the United States Attorney for the Southern District of New York, Janice K. Fedarczyk, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), and Raymond W. Kelly, the Police Commissioner of the City of New York ("NYPD"), announced today the unsealing of charges against 36 defendants involved in a systematic scheme to defraud private insurance companies of more than \$279 million under New York's no-fault automobile insurance law. The Indictment includes racketeering charges against eight members and associates of a criminal organization consisting primarily of individuals of Russian descent who were the owners and controllers of fraudulent medical clinics (the "No Fault Organization"), as well as 10 licensed doctors and three attorneys. The alleged scheme identified today is the largest single no-fault automobile insurance fraud ever charged, and the first case of its kind to allege violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO").

All of the defendants were arrested this morning in connection with today's charges. Thirty-five were taken into custody in New York and New Jersey and will be presented and arraigned in Manhattan federal court before U.S. Magistrate Judge Theodore H. Katz later this afternoon. One defendant was arrested in Duluth, Minnesota, and will be presented tomorrow in federal court in the District of Minnesota.

Manhattan U.S. Attorney Preet Bharara said: "Today's charges expose a colossal criminal trifecta, as the fraud's tentacles simultaneously reached into the medical system, the legal system, and the insurance system, pulling out cash to fund the defendants' lavish lifestyles. As alleged, the scheme relied on a cadre of corrupt doctors who essentially peddled their medical licenses like a corner fraudster might sell fake ID's, except those medical licenses allowed unlawful entry, not to a club or a bar, but to a multi-billion dollar pool of insurance proceeds."

FBI Assistant Director-in-Charge Janice K. Fedarcy said: “Our investigation uncovered a pattern of lucrative fraud exploiting New York’s no-fault auto insurance system to the tune of more than a quarter of a billion dollars. The criminal enterprise, while it lasted, was obscenely profitable. The scheme not only unjustly enriched the defendants and defrauded insurance companies. Auto insurance fraud is also a crime that indirectly victimizes every driver in New York.”

NYPD Commissioner Raymond W. Kelly said: “Our undercover officers were treated like thousands of other ‘patients’ receiving therapy, tests, and medical equipment they didn’t need. I want to congratulate the U.S. Attorney’s office and the agents and detectives assigned to the joint FBI-NYPD Organized Crime Task Force for bringing this investigation to a successful conclusion.”

The following allegations are based on the unsealed Indictment and other documents filed today in Manhattan federal court:

Under New York State Law, every vehicle registered in the State is required to have no-fault automobile insurance, which enables the driver and passengers of a registered and insured vehicle to obtain benefits of up to \$50,000 per person for injuries sustained in an automobile accident, regardless of fault (the “No Fault Law”). The No Fault Law requires prompt payment for medical treatment, thereby obviating the need for claimants to file personal injury lawsuits in order to be reimbursed. Under the No-Fault Law, patients can assign their right to reimbursement from an insurance company to others, including medical clinics that provide treatment for their injuries. New York State Law also requires that all medical clinics in the State be incorporated, owned, operated, and/or controlled by a licensed medical practitioner in order to be eligible for reimbursement under the No-Fault Law. Insurance companies will not honor claims for medical treatments from a medical clinic that is not actually owned, operated, and controlled by a licensed medical practitioner.

From at least 2007 through 2012, the No-Fault Organization has engaged in a massive and sophisticated scheme to defraud automobile insurance companies of hundreds of millions of dollars by, among other things, creating and operating medical clinics that provided unnecessary and excessive medical treatments in order to take advantage of the No-Fault Law. In order to mislead New York authorities and private insurers, the true owners of these medical clinics (“Clinic Controllers”), almost all of whom were also members and associates of a criminal organization consisting primarily of individuals of Russian descent, paid licensed medical practitioners, including doctors, to use their licenses to incorporate the professional corporations, through which the medical clinics billed the private insurers for the bogus medical treatments. These doctors effectively operated as “straw owners” of the clinics.

The Clinic Controllers paid thousands of dollars in kickbacks to runners who recruited automobile accident passengers to receive medically unnecessary treatments from the no-fault clinics. They also instructed the clinic doctors/straw owners to prescribe excessive and unwarranted referrals for various “modality treatments” for every patient they saw. The treatments included physical therapy, acupuncture, and chiropractic treatments – as many as five times per week for each – and treatments for psychology, neurology, orthopedics, and audiology. Clinic doctors also prescribed unnecessary MRI’s, x-rays, orthopedics, and medical supplies. The Clinic Controllers received thousands of dollars in kickbacks for patient referrals from the owners of the modality clinics (“Modality Controllers”), who were members and associates of the same criminal organization to which the members of the No Fault Organization and Clinic Controllers belonged.

The Clinic Controllers also referred patients to personal injury lawyers who filed bogus lawsuits on behalf of the patients and coached them on what injuries to claim in order to get as many treatments as possible. The personal injury lawyers also paid the Clinic Controllers thousands of dollars in kickbacks for these referrals.

In order to conceal and disguise the millions of dollars in claims paid by the automobile insurance companies, the members of the No-Fault Organization laundered the money through shell companies and corrupt check-cashing services. Often, checks would be written from the No-Fault or Modality Clinics with the payee line left blank, and in amounts less than \$10,000 in order to avoid potential financial institution reporting requirements and other scrutiny. The checks were then cashed through check-cashers who made the checks payable to shell companies they controlled in order to conceal the true nature and purpose of the checks. The cash was then returned to members of the No-Fault Organization to fund kickbacks and for their personal use. At other times, the members and associates of the No-Fault Organization paid themselves through their own shell companies and then used the criminal proceeds to fund expensive vacations and to purchase luxury goods.

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A chart identifying each defendant, the charges, and the maximum penalties, is attached to this release. The case is assigned to U.S. District Judge J. Paul Oetken.

U.S. Attorney Preet Bharara thanked the FBI and the NYPD for their work in the 18-month investigation, which he noted is ongoing. Mr. Bharara also thanked the National Insurance Crime Bureau and the investigative units of the insurance companies that provided invaluable assistance with the investigation, as well as the Manhattan District Attorney's Office.

The case is being prosecuted by the Office's Organized Crime Unit. Assistant U.S. Attorneys Daniel S. Goldman, Nicholas L. McQuaid and Carolina Fornos are in charge of the prosecution. Assistant U.S. Attorney Jason L. Cowley of the Office's Asset Forfeiture Unit is responsible for the forfeiture of assets.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

12-065

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COUNT	CHARGE	MAXIMUM PENALTY
Count One	RICO Conspiracy (Mail Fraud and Money Laundering)	20
Count Two	Conspiracy to Commit Health Care Fraud	10
Count Three	Conspiracy to Commit Mail Fraud	20
Count Three	Conspiracy to Commit Money Laundering	20

DEFENDANT	AGE/RESIDENCE	ALLEGED ROLE IN THE SCHEME	CHARGES	MAXIMUM PENALTY
Mikhail Zemlyansky	35 Hewlett, NY	Clinic/Modality Controller	Counts One, Two, Three, Four	70 years
Michael Danilovich	38 Brooklyn, NY	Clinic/Modality Controller	Counts One, Two, Three, Four	70 years
Yuriy Zayonts	40 Staten Island, NY	Clinic/Modality Controller	Counts One, Two, Three, Four	70 years
Mikhail Kremerman	41 Staten Island, NY	Clinic/Modality Controller	Counts One, Two, Three, Four	70 years
Matthew Conroy	42 Melville, NY	Attorney	Counts One, Two, Three, Four	70 years
Michael Barukhin	32 Brooklyn, NY	Clinic/Modality Controller	Counts One, Two, Three, Four	70 years
Mikhail Ostrumsky	42 Brooklyn, NY	Clinic Controller	Counts One, Two, Three, Four	70 years
Boris Treysler	42 Brooklyn, NY	Clinic Controller	Counts One, Two, Three, Four	70 years
Andrey Anikeyev	37 Fort Lee, NJ	Modality Controller	Counts Two, Three, Four	50 years
Vladimir Grinberg	35 Staten Island, NY	Modality Controller	Counts Two, Three, Four	50 years
Vladislav Zaretskiy	40 Staten Island , NY	Clinic/Modality Controller	Counts Two, Three, Four	50 years
Yevgeniy Shuman	33 Brooklyn, NY	Clinic Manager	Counts Two, Three, Four	50 years
Dmitry Slobodyansky	41 Brooklyn, NY	Modality Controller	Counts Two, Three, Four	50 years
Alexander Sandler	57 East Brunswick, NJ	Clinic Controller	Counts Two, Three	30 years

Gregory Mikhalov	56 Brooklyn, NY	Modality Controller	Counts Two, Three	30 years
Michael Morgan	33 Port Washington, NY	Modality Controller	Counts Two, Three	30 years
Mark Danilovich	60 Brooklyn, NY	Modality Controller	Counts Two, Three	30 years
Jeffrey Lereah	56 Suffern, NY	Modality Manager	Counts Two, Three	30 years
Dmitry Lipis	44 Brooklyn NY	Clinic Manager	Counts Two, Three	30 years
Lynda Tadder	34 Brooklyn, NY	Clinic Manager	Counts Two, Three	30 years
Maria Diglio	47 Garden City, NY	Attorney	Counts Two, Three	30 years
Sol Naimark	53 Flushing, NY	Attorney	Counts Two, Three	30 years
Sergey Gabinsky	54 Brooklyn, NY	Doctor	Counts Two, Three	30 years
Tatyana Gabinskaya	57 Brooklyn, NY	Doctor	Counts Two, Three	30 years
Joseph Vitoulis	42 Valley Stream, NY	Doctor	Counts Two, Three	30 years
Lauretta Grzegorzcyk	64 Staten Island, NY	Doctor	Counts Two, Three	30 years
Eva Gateva	48 Bronx, NY	Doctor	Counts Two, Three	30 years
Zuheir Said	64 Bronx, NY	Doctor	Counts Two, Three	30 years
David Thomas	42 Hopewell Junction, NY	Doctor	Counts Two, Three	30 years
Billy Geris	53 Morganville, NJ	Doctor	Counts Two, Three	30 years
Mark Shapiro	46 Brooklyn, NY	Doctor	Counts Two, Three	30 years
Robert Della Badia	72 South Salem, NY	Doctor	Counts Two, Three	30 years
Michelle Glick	33 Duluth, MN	Acupuncture Practitioner	Counts Two, Three	30 years
Pavel Poznansky	52 Brooklyn, NY	Acupuncture Practitioner	Counts Two, Three	30 years

Chad Greenshner	45 Flushing, NY	Chiropractic Practitioner	Counts Two, Three	30 years
Constantine Voytenko	40 Brooklyn, NY	Chiropractic Practitioner	Counts Two, Three	30 years